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A CASE OF VOLUNTARY SUBSCRIPTIONS TOWARDS MUNICIPAL EXPENSES

WHILE large private gifts for specific public purposes are happily not uncommon in the United States, it is unusual for a municipal corporation to defray any appreciable portion of its ordinary expenses with the proceeds of a general public subscription. This, however, was the method adopted for the year 1911, by Everett, Washington, a city of about 25,000 inhabitants. The episode may be of interest to students of finance, as showing how unusual are the conditions under which a considerable public revenue can be secured through voluntary payments.

In November, 1910, the voters, by a majority of 278, decided to forbid the sale of alcoholic liquors within the city limits. The estimated loss of revenue from liquor licenses in 1911 was \$42,800; or a net loss, after deducting the state's share of 10 per cent, of \$38,520. In reality the loss was somewhat greater than this, for nine saloons, whose licenses expired between November 1, 1910, and January 1, 1911, failed to renew them; and large rebates had to be paid on licenses that covered only a part of the year 1911. The total loss to the city resulting from the adoption of the no-license policy was estimated at nearly \$60,000. While this loss could not properly be attributed wholly to the year 1911, it gave rise to a problem for that year to the officials in charge of the municipal finances.

The tax levy had been made in October, with no allowance for the possibility that the city might adopt a "dry" policy¹; and the budget called for an expenditure of \$135,933. The city's revenues had generally been somewhat less than

¹ According to a newspaper report, published since the above was written, the city of Ellensburg (population 4,209), anticipating a local option fight, has provided for a 5 mill increase in the tax levy for 1912 as compared with that for 1911, and for a reduction in expenditures.

its expenditures, and one of the problems for the year was the funding of the floating indebtedness. It would be out of place to consider at any length the reasons for this policy of deficit financing; but two important facts should be noted. In the first place the growth of the city had been very rapid. In 1900 the population was only 7,838; in 1910 it was 24,814. Another important fact, which bears not only on the reasons for the deficit, but on the difficulties arising from the loss of revenue from liquor licenses, was that by the city charter the general property tax rate was limited to eight mills on the dollar, and that taxation had for some time been imposed at this rate. Property in the state (Washington) is valued at about 45 per cent. It was not, of course, to be expected that, in a state having the antiquated general property tax for state as well as for local purposes, a single city should attempt to increase its revenue by increasing its valuation.

The loss of revenue from liquor licenses made necessary the most rigid efforts to reduce expenses. Sweeping reductions were made in the police and street departments, and the Seattle-Tacoma Power Company, from which the city had been buying electricity, was ordered to turn out the street lights. These measures naturally attracted some attention in cities and towns in other parts of the country where local prohibition was an issue, and furnished the "wet" interests an argument of which they were not slow to take advantage. As a matter of fact, the situation, tho serious, was not so bad as might appear at first glance. The abolition of the saloons was said to reduce the number of policemen needed, while yet the streets were no less safe than before. It is true that for a time the streets went largely uncleaned. The Seattle-Tacoma Power Company refused to turn off the street lights, saying that it had a valid contract, not to be given up, and that it had no desire to leave the city in darkness. The Company did not ask for cash payment, being willing to take any reasonable security; but when this was refused it continued, nevertheless, to supply light.

The loss of revenue was so great, however, that it seemed impossible that it could be met by any practicable measures of economy. Accordingly provision was made for a supplemental tax levy of five mills. It was thought that this might be permitted in spite of the charter limit, chiefly because of the great necessity for revenue, and it was argued that a statute authorizing the levy of taxes to raise the amounts necessary for certain purposes should take precedence over the charter. The supplemental levy, however, was held invalid by the Supreme Court.

The next important step was the submission to the City Council of a bill providing for an occupation tax. This measure was hastily prepared and contained a number of inequalities. A committee was appointed by the Everett Business Men's Association to confer with members of the City Council, and the proposed ordinance was greatly elaborated. It was still regarded, however, as far from satisfactory. The truth appears to be that the opposition was quite as much against the very idea of an occupation tax as against any particular measure. It is said that part of the opposition came from persons interested in the liquor business who wished the city to suffer; part came from the public service corporations and others who thought the amounts to be asked of them excessive; but it is probable that much was due to the belief of the average man that the main burden of taxation should fall upon property. It was feared that if the occupation tax were once established it would become permanent. Moreover it was felt that a business tax would be a bad advertisement for the city.

It was clear, however, that something had to be done; and the natural answer to all objectors was that they should submit to the occupation tax or propose something better. Meanwhile time was passing rapidly. The evening of Monday, April 3d, was set for the third reading of the ordinance; and there seemed to be little doubt of its final passage. On Friday, March 31st, a meeting of the directors of the Everett Business Men's Association took up the matter. The suggestion had already been made that the

necessary funds might be raised by popular subscription. At this meeting it was decided to put the plan into immediate effect.

The time was indeed short. If the occupation tax was to be defeated, it was necessary to give the Council, on Monday evening, some assurance that it would be unnecessary. The campaign was begun that afternoon. Various means of arousing popular enthusiasm were adopted. With the slogan "\$50,000 by Monday night" the daily papers gave their hearty support to the movement, and published inspiring accounts of what was proposed and of Everett's ability to accomplish it. Banners and placards were hastily supplied. Subscription blanks were printed, and cards were prepared showing what would be required of each tax-payer under the occupation tax in either its original or its amended form. Voluntary solicitors, armed with these cards and with the pledge forms at once began to canvass the town. Every one was asked to pledge a contribution; and it was suggested that the proper contribution for a laborer was a day's pay. Laborers, instead of signing the printed subscription forms, signed statements authorizing their employers to deduct their subscription from their wages.

As the success of the subscription plan could not be known in advance, cash contributions were not desired. It was provided that half of each subscription should be payable on May 1st and half on July 1st. A civic commission was appointed for the purpose of receiving the amounts subscribed when they became due.

By the time the proposed occupation tax came before the Council for final passage it was known that a considerable amount had been pledged; but it had been impossible to count and check all the returns. The best that the Association could do was to assure the Council that \$33,511.50 had been pledged and that the subscription list was still incomplete. On this showing the Council was persuaded to postpone consideration of the tax bill for one week.

It was soon seen that the amount subscribed, tho large,

was considerably below the \$50,000 which was felt to be necessary if the tax was to be avoided; hence efforts to raise the money were continued. At last, when the total amount subscribed was more than \$40,000, it was decided that the tax should not be adopted. The Mayor, however, warned the people that the revenue was short of the amount needed, and that it would be necessary to practise severe economy in the city's expenditures. Both the police and the street departments are still being carried on with reduced forces, and it is stated that no light or water bills will be paid by the city this year.

According to the latest accounts¹ the total subscribed and regarded as good amounts to very nearly \$45,000, representing about 3500 contributions. Of this amount more than \$40,000 has actually been collected. The cost of collection will have to be deducted, but the other expenses are quite small, most of the work involved being freely given. The largest subscription was that of the Everett Railway, Light, and Water Company, amounting to \$3000. The smallest contribution is twenty-five cents. Some of the subscriptions were made on condition that the whole amount be raised, but this condition is now regarded as satisfied. A number of pool-room proprietors subscribed on condition that a pending ordinance, ordering them to close on Sunday, be not passed. It is said that among the subscribers and solicitors were a number of saloon men who had been driven out of the business by the act which cut down the revenues of the city.

It seems clear that the method of raising funds by public subscription was adopted as a last resort for avoiding the occupation tax. To a great extent the subscriptions were based on the amounts that the subscribers would have had to pay had the tax been imposed, tho in some cases they were larger and in others smaller. The subscription plan was adopted largely because it was felt that the difficulty was merely a temporary one, due to the adoption of the no-license policy. Moreover, it was felt that it would be a

¹ July 27, 1911.

good advertisement for the city. It had the additional advantage that it could not be stopped by legal proceedings.

The voluntary subscription, it is obvious, was meant merely to supply a temporary need. The question naturally arises as to how revenues will be raised in the future. Apparently there is no strong sentiment in favor of a return to the "wet" policy; but even if there were, no vote could be taken on the subject till November, 1912. The natural tendency is to resort to an increase in the rate of the general property tax, securing the needed changes in the city charter. It would doubtless be better if the city were to take some forward step in taxation, but in falling back on the general property tax it is keeping in line with the rest of the state and indeed of the country. As long as the average business man continues to hold blindly to his belief in the present system, there is possibly some reason for the fear that an occupation tax, advertised as it doubtless would be by the "wet" interests elsewhere, would have some influence, for a time at least, in checking the growth of the city.

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THE WISCONSIN INCOME TAX

THE bill for taxing incomes which was passed by the Wisconsin Legislature in June of this year contains some novel and interesting features. Its most notable characteristics may be summarized as follows:—

(a) The table of rates for individuals differs widely from that provided for corporations, and the latter table embodies a principle seldom recognized in income taxation.

(b) The administration of the law is centralized in the state tax commission.

(c) The law practically abolishes the general property tax upon intangible personal property and adopts the income tax as a substitute.